



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

JUL 23 1997

R. Richard Ryan, Treasurer  
Stonewall Democratic Club  
7985 Santa Monica Blvd. #325  
West Hollywood, CA 90069

Identification Number: C00323923

Reference: Year End Report (11/26/96-12/31/96)

Dear Mr. Ryan:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Line 18 of the Detailed Summary Page of your report discloses a total of \$1,531.17 in transfers from non-federal account for joint activity. The sum of the entries itemized on Schedule H3, however, indicates the total to be \$1,108.03. Please amend your report to clarify the discrepancy.

-The Detailed Summary Page, on Line 18 Column B of your report, discloses \$14,016.97 in transfers from the non-federal account for joint activity for the calendar year. However, Line 21 (a)(ii) Column B discloses \$12,926.94 as the non-federal share for joint activity for the calendar year. While the non-federal account is permitted to transfer funds to the federal account for allocable activity, transfers from the non-federal account for amounts greater than the non-federal share of allocable activity are prohibited by 11 CFR §102.5(a)(1)(i). Please clarify this discrepancy.

The Commission recommends that you immediately transfer back to the non-federal account, the amount which was transferred to the federal account in excess of the non-federal share. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

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-Schedule H4 discloses a disbursement(s) which is categorized as an exempt expense(s); however, a Schedule H2 has not been filed to disclose the allocation ratio. All committees are required to allocate the direct costs of each exempt activity in which the committee disburses funds for both federal and non-federal purposes. The costs are allocated according to the time and space method and reported on Schedule H2. 11 CFR §§106.5(e). Please file a Schedule H2 to disclose the ratio for the exempt activity.

-On Schedule H4 supporting Line 21(a) of the Detailed Summary Page, you have failed to include the purposes for several joint expenditures to various vendors. Note that the unique identifying code for an event is not considered an adequate description of purpose. Please amend your report to include this missing information.

-It appears your committee is disclosing expenditures on Schedule H4 supporting Line 21(a) for payments which have not been paid by your committee during this reporting period. A party committee must allocate between its federal and non-federal account all expenses for administrative costs, generic voter drives and fundraising programs or events. 11 CFR §106.6(b)(2)

Schedule H2 is used by all political committees to report the allocation ratios of their joint federal and non-federal fundraising events and direct candidate support programs. Schedule H2 is filed with each report that discloses a disbursement for a shared activity. Schedule H3 is used by all political committees to report transfers received by the federal account from the non-federal account(s) to pay the non-federal share of allocable expenses.

Any expenditures made on behalf of both federal and non-federal candidates (including in-kind contributions and coordinated expenditures) must also be allocated between your committee's federal and non-federal accounts. Schedule H4 is used by all political committees to report payments for allocable expenses. 11 CFR §106.1(a) Future payments should be itemized on a Schedule D for Debts and Obligations excluding Loans. Payments for these debts should be reflected on Schedule D and Schedule H4 or B supporting Line 21(a) or 21(b) only during the reporting period of payment.

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Please clarify the procedures you are currently using to allocate shared activity. The Commission recommends that you take steps to correct any non-compliance with the regulations. Also, your committee should establish procedures to ensure future compliance with the allocation regulations.

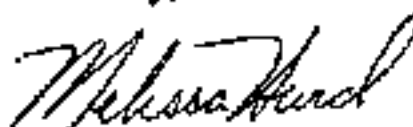
-Your report discloses limited payments for administrative expenses. Each committee utilizing separate federal and non-federal accounts is required to allocate any administrative expenses between the accounts in proportion to the BALLOT COMPOSITION METHOD derived from FEC Schedule H1. A Schedule H1 must be filed with the first FEC FORM 3X submitted each year. 11 CFR §106.5(d)

Any goods or services provided to your committee by a person, except volunteer activity (i.e., a person's time), would be considered an in-kind contribution from that person, and would be subject to the disclosure requirements of 2 U.S.C. §434(b)(3) and 11 CFR §104.13, and the limitations and prohibitions of 2 U.S.C. §§441a and 441b.

Clarification regarding administrative expenses should be disclosed during each two year election cycle beginning with the first report filed in the non-election year. Please provide the necessary information regarding administrative expenses incurred by your committee and/or amend your report to disclose such expenses according to the referenced provisions of the Act and Commission Regulations.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 219-3580.

Sincerely,



Melissa Hurd  
Reports Analyst  
Reports Analysis Division

